

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6708**

**BILL NUMBER:** HB 1616

**NOTE PREPARED:** Jan 13, 2003

**BILL AMENDED:**

**SUBJECT:** Governmental Accountability.

**FIRST AUTHOR:** Rep. Buell

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill abolishes the State Board of Accounts (SBA) and transfers the duties, functions, and powers of the SBA to the Legislative Branch. It provides for continuity in SBA administration, procedures, and operations. The bill requires that financial reports audited on an annual basis comply with Generally Accepted Accounting Principles (GAAP).

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** With certain exceptions concerning the qualifications of the State Examiner and the Deputy Examiners, the bill transfers the appropriations and employees from this executive branch agency to the Legislative Council. SBA employees would remain members of the employee's retirement plan or pension fund. The bill provides for the Legislative Council to create a pay scale for the employees of the SBA that does not reduce the salaries of the employees from the amount earned as of June 30, 2003. There would be no fiscal impact from this provision assuming that the Council did not increase the salaries of SBA employees when establishing the pay scale. State General Fund appropriations for the SBA were \$19,525,049 for FY 2002, and \$18,492,886 for FY 2003.

Also, the bill provides for an interim study committee on Local Government Financial Reporting to prepare legislation for introduction in the 2004 regular session of the General Assembly to implement the provisions of the bill. The interim committee would study what towns, based on population, should be required to prepare GAAP financial statements and the amount the SBA should charge per day for audit services. Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 and \$12,000 to \$18,500 per interim for committees with 16 members or more.

*Background:* Each field examiner involved in an audit costs \$45 to \$50 an hour. Under current law, each taxing unit is charged \$45 per day for each field examiner, private examiner, expert, or SBA employee engaged in making examinations or investigations.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The bill would require the financial reports for the state, cities, counties, public hospitals, and towns be in accordance with GAAP. To the extent that these entities do not currently maintain accounting records in accordance with GAAP, costs may be incurred to comply with the standards.

*Background:* When SBA is preparing an audit for an entity, SBA will prepare financial reports in accordance with GAAP for the entity, if it does not maintain accounting records according to GAAP.

**Explanation of Local Revenues:**

**State Agencies Affected:** State Board of Accounts; Legislative Council.

**Local Agencies Affected:**

**Information Sources:** Charles Johnson, III, State Examiner, 317-232-2524.

**Fiscal Analyst:** Karen Firestone, 317-234-2106